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FOR RECORD IN THE PUBLIC Again

Producers 88 (4-89) — Paid Up With 640 Acres Pooling Provision

Suzanne Henderson

## PAID UP OIL AND GAS LEASE

(No Surface Use)

THIS LEASE AGREEMENT is made this 14th day of March, 2008, by and between PACIWEST, INC., whose address is 11434 Woodmeadow Parkway, Dallas, Texas 75228, and WARNER ALAN/WESTCLIFF, LTD., whose address is 1000 Burton Hill Road, Fort Worth, Texas 76114, as Lessors, and FOUR SEVENS ENERGY CO., LLC, whose address is 201 Main Street, Suite 1455, Fort Worth, Texas 76102, as Lessee. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessee.

In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and tets exclusively to Lessee the following cribed land, hereinafter called leased premises: ABSTRACT NO.: 1539 SURVEY NAME: T. 8. Taylor

8.7948 GROSS ACRES OF LAND, MORE OR LESS, BEING LOT 11 OF BLOCK 19, IN THE WESTCLIFF ADDITION, AN ADDITION TO THE CITY OF FORT WORTH, TARRANT COUNTY, TEXAS, ACCORDING TO PLAT RECORDED IN VOLUME 388-50, PAGE 52, DEED RECORDS OF TARRANT COUNTY, TEXAS. ALSO BEING THE SAME PROPERTY DESCRIBED IN THAT DEED WITH VENDOR'S LIEN DATED MAY 25, 1989, FROM IM PACIFICA WESTCLIFF, LTD. TO PACIWEST, INC., AND RECORDED AS INSTRUMENT NO. D189085705, OF THE OFFICIAL PUBLIC RECORD OF TARRANT COUNTY, TEXAS,

This lease also covers and includes all land owned or claimed by Lessor adjacent or contiguous to the land particularly described above, whether the same be in said survey or surveys or in adjacent surveys, although not included with the boundaries of the land particularly described above, (including any interests therein which Lessor may hereafter acquire by reversion; prescription or otherwise); for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith (including geophysical/seismic operations). The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of tand now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalities hereunder, the number of gross acres above specified shall be deemed correct, whether actually more or less.

2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of five years from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof.

3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other fiquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be 25% of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field (or if there is no such price then prevailing in the same field (or if there is no such price then prevailing in the same field (or if there is no such price then prevailing in the same field (or if there is no such price then prevailing in the same field (or production of similar quality in the same field (or if there is no such price then prevailing in the same field (or production of similar quality in the same field (or if there is no such price then prevailing in the same field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder, and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of producing oil or gas or other substances covered hereby in paying quantities, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells are shut-in or production therefrom is not being sold by Lessee, then Lessee shall pay shut-in royalty of one dolfar per acre then covered by this lease, such payment to be made to Lessor's credit in the depository designated below, on or before the end of said 90-day period

operate to terminate this lease.

4. All shut-in royalty payments under this tease shall be paid or tendered to Lessor's credit at Lessor's address above or its successors, which shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check or by depository agent for receiving payments or tenders to Lessor or to the depository by deposit in the US Malls in a stamped envelope addressed to the depository or to the Lessor at the last address known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fall or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution, or for any reason fall or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution, or for any reason fall or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution, or for any reason fall or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution, or for any reason fall or refuse to accept payment hereunder, Lessoe shall on the lease of the production (whether or not in paying quantities) permanently oceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee commences operations for reworking an existing well or for otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production thereform, this lease s

drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

8. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or Interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commented productions. \*\*Micropress\*\* [Assee geens it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar poolings applicable to such industry to industry and the such pooling for an oil well which is not a horizontal completion shall not exceed 60 acres plus a maximum acreage tolerance of 10%; provided that all sliger unit intell before the state of the completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that all sliger unit intell before the state of the propose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable lawsering appropriate governmental surfacely; or, find definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per banel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in facilities or equivalent testing equipment; and the term "horizontal completion" means an oil well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling, revording operations on the leased premises, except that the production on wh

any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises bears to the full mineral estate in such part of the leased premises bears to the full mineral estate in such part of the leased premises bears to the full mineral estate in such part of the leased premises bears to the full mineral estate in such part of the leased premises bears to the full mineral estate in such part of the leased premises bears to the full mineral estate in such part of the leased premises bears to the full mineral estate in such part of the leased premises bears to the full mineral estate in such part of the leased premises bears to the full mineral estate in such part of the leased premises bears to the full mineral estate in the deficiency of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 80 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalities hereunder, Lessee may pay or tender such shut-in royalities to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferre its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest shall not affect the rights of Lessee may, at any time and from time to time, deliver to Lessor or file of record a writte

- 10. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized herewith, in primary and/or enhanced recovery, Lessee shall have the right of lingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lesser in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.
- interrupted.
- 12. In the event that Lessor, during the primary term of this lease, receives a bona fide offer which Lessor is willing to accept from any party offering to purchase from Lessor a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

  13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is flitigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a

- and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said judicial determination to remedy the breach or default and Lessee falls to do so.

  14. For the same consideration recited above, Lessor hereby grants, assigns and conveys unto Lessee, its successors and assigns, a perpetual subsurface easement under and through the leased premises for the placement of well bores (along routes selected by Lessee) from oil or gas wells the surface locations of which are situated on other tracts of land and which are not intended to develop the leased premises or lands pooled therewith and from which Lessor shall have no right to royalty or other benefit. Such subsurface easements shall run with the land and survive any termination of this lease.

  15. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse fiself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

  16. NOTWITHISTANDING ANYTHING CONTAINED TO THE CONTRARY IN THIS LEASE, LESSEE SHALL NOT HAVE ANY RIGHTS TO USE THE SURFACE OF THE LEASED PREMISES FOR DRILLING OF OTHER OPERATIONS.

OF THE LEASED PREMISES FOR DRILLING OR OTHER OPERATIONS.

FOR ADDITIONAL TERMS AND CONDITIONS, REFERENCE IS MADE TO EXHIBIT "A" WHICH HAS BEEN ATTACHED HERETO AND MADE A PART HEREOF.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

LESSOR:	WARNER ALAN/WESTCLIFF, LTD. a Texas Limited Partnership	LESSOR: PACIWEST, INC. a Texas Corporation
Ву:	WARNER ALAN/WESTCLIFF GP, LLC. a Texas Limited Liability Company, as as General Partner	By: Dziem Nguyen, President
Ву:	Christopher W. Neill, Manager	
Mark 201		
•		Corporate Acknowledgment
STATE OF	TEXAS	ACANOWLEDGMENT
COUNTY C	nent was acknowledged before me on the 14th day for Warner Alan/Westcliff, Ltd., a Texas limited Part	invistopher W. Neill
i nis instruit an on behal : (seal)	rich was acknowledged before me on the 14th day f of Warner Alan/Westcliff, Ltd., a Texas limited Part  RICHARD T. KUTNER  Notary Public State Of Texas  My Comm. Exp. 06/29/2009	of March, 2008, by 7 CM***, as Manager of Warner Alan/Westcliff GP, LLC., General Partner of nership.  Notary
STATE OF		Corporate acknowledgment
COUNTY	DF TARRANT	
This instrum	NOTARY PUBLIC STATE OF TEXAS	lay of March, 2008, by Dziem Nguyen, as President of Pacawest, Inc., a Texas Corporation.  Notary
RECORDING INFORMATION		
STATE OF TEXAS		

day of

records of this office.

\_\_\_\_ 2008, at \_\_\_\_

o'clock \_\_\_\_\_M., and duly

COUNTY OF TARRANT

recorded in

This instrument was filed for record on the

\_, Page \_\_\_

\_, of the \_\_\_\_

Clerk (or Deputy)

## **EXHIBIT "A"**

Attached to and made a part of that certain Paid-Up Oil and Gas Lease (No Surface Use) dated the 14<sup>th</sup> day of March, 2008, by and between PACIWEST, INC. and WARNER ALAN/WESTCLIFF, LTD., as Lessons, and FOUR SEVENS ENERGY CO., LLC., as Lesson.

- 17. <u>No Warranty of Title:</u> This Lease is given subject to all mineral reservations of record. Lessor warrants that Lessor is the owner of the Land, but does not warrant title to minerals. Lessee is relying upon its own title search.
- 18. Royalty: It is agreed and understood that Lessor's royalty interest will never be charged with any part of Lessee's direct cost of producing, storing, separating, dehydrating, compressing, transporting (excluding common carrier tariffs if the sales price is a market value price at a delivery point significantly removed from the wellhead.) It is agreed between the Lessor and Lessee, that, notwithstanding any language herein to the contrary, all oil, gas or other proceeds accruing to the Lessor under this lease or by state law shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and marketing the oil, gas and other products produced hereunder to transform the product into marketable form; however, any such costs which result in enhancing the value of the marketable oil, gas or other products to receive a better price may be deducted from Lessor's share of production so long as they are based on Lessee's actual cost of such enhancements. However, in no event shall Lessor receive a price that is less than, or more than, the price received by Lessee.
- 19. <u>Limited to Hydrocarbons:</u> It is also expressly understood that this lease covers only Oil, Gas and other hydrocarbon substances, including sulfur produced in conjunction therewith, in and under the above described property, and that accordingly all other associated substances and minerals are excepted from the terms and provisions of this lease and reserved to Lessor.
- 20. <u>Vertical Severance:</u> After the expiration of the primary term of this lease, or after cessation of continuous development as provided herein, whichever occurs last, this lease shall terminate as to all depths lying below 100 feet below the stratigraphic equivalent of the deepest depth for which production casing has been set by Lessee on the above described premises or upon land with which these lands may be pooled for production.
- 21. <u>Horizontal Severance:</u> At the expiration of the Primary Term, all acres of land not then included in a producing proration unit consisting of land approved for said well by the State of Texas Railroad Commission or other governmental regulatory body or competent jurisdiction, shall be released by Lessee and a release filed of record in the county where the property is located and a copy furnished to Lessor.
- Royalty Due: Accounting and payment to Lessor of royalties from the production of oil and gas herein provided shall commence no later than One Hundred Twenty (120) days after the date of first production as pursuant to Section 91.402; Subchapter J. "Payment for Proceeds of Sale" of Texas Natural Resource Code, Oil and Gas. First production for a gas well shall be defined as the date of first sale of gas and for an oil well the date oil is first produced, other than for testing purposes. Thereafter unless otherwise specifically provided herein, all accountings and payments of royalties shall be made on or before the last day of the second calendar month following the calendar month in which the production occurred. Unless otherwise herein expressly provided, any royalties or other payments provided for in this lease which are suspended or not paid to Lessor within the time period specified therefore shall accrue interest at the rate of twelve percent (12%) per annum, from the due date until paid. Acceptance by Lessor, its successors, agents or assigns of royalties which are past due shall not act as a waiver or estoppel of its right to receive or recover any and all interest due thereon under the provisions hereof, unless the written acceptance or acknowledgment by Lessor to Lessee expressly so provides. Any tender or payment to Lessor of a sum less than the total amount due to Lessor hereunder which is made or intended to be made as an offer of settlement or accord by or on behalf of Lessee, its agents, successors or assigns, must be accompanied by a Notice.
- Amendment and Division Orders: The provisions contained herein regarding acreage covered by this lease which shall be held by drilling operations on or production from any pooled unit or units shall not be altered or amended by any pooling unitization or like agreement or instrument, or any amendment thereto or ratification or acknowledgment thereof, unless the same shall be specifically designated as an amendment of such paragraph for such purpose. It is further agreed that neither this lease nor any terms or provisions hereof shall be altered, amended, extended or ratified by any division order or transfer order executed by Lessor, his successors, agents, or assigns. If Lessee shall require the execution of a division Order for payment of royalty payable under this lease, then the only form of Division Order permitted for Lessee's use shall be such form promulgated by the State of Texas and set forth in Section 91.402(d), of the Texas Natural Resource Code as amended from time to time. Transfer Orders, if required, shall be solely for the purpose of confirming the interest transferred by Lessor. In the event of production, all division orders prepared by Lessee and its assigns shall eliminate all references to ratification of Lessee's acts, ratification of the unit and ratification of gas or oil purchase contracts. If such statements are contained therein, such ratifications are void and of no effect. Any amendment, alteration, extension or ratification is sought to be enforced, and executed by the party against whom any such amendment, alteration, extension or ratification is sought to be enforced, and any purported amendment, alteration, extension or ratification in of or effect.
- 24. <u>Hold Harmless:</u> Lessee shall indemnify and hold Lessor harmless from and against any and all claims, actions, liability, loss, damage or expense of every kind and nature, including, but not limited to reasonable attorney's fees and costs, for damage to property including environmental damage to surface properties and underground water of any person, firm or corporation or for injury to or death of any person, including, but not limited to, the employees of Lessee, its successors, assigns, contractors or subcontractors, which may, in whole or in part, be caused by or arise out of operations conducted hereunder or the enjoyment of this lease or the exercise of any right granted hereunder or any obligation imposed hereby.
- 25. <u>Release:</u> It is understood and agreed, notwithstanding anything to the contrary contained herein, that within Forty-five (45) days after this lease has expired or any portion thereof has terminated, Lessee or any assignee thereof shall furnish Lessor, or Lessor's heirs or assigns, with a recordable release of this lease or such portions which have been terminated under the terms of this lease agreement. If Lessor makes written demand of Lessee to furnish a release or partial release and Lessee fails or refuses to do so within 30 days after receipt of the written demand, then Lessee shall reimburse Lessor for all expenses incurred by Lessor, to obtain said release.
- 26. <u>Unitization.</u> Not withstanding any provision contained herein to the contrary, it is agreed that should Lessee exercise the option to pool or combine the land covered herein into a pooled unit with other land or leases as herein provided, then such unit will include the entire leased premises covered and not a portion thereof.
- 27. <u>Addendum Provisions Govern:</u> The foregoing Addendum and the provisions of the Addendum shall supersede and govern the provisions of the lease, wherever those provisions are in conflict with the Addendum. This lease, including the Addendum, shall inure to the benefit of, and be binding upon the parties hereto and other respective heirs, representatives, successors and assigns.
- 28. <u>Shut-In Royalty Clause Limitation:</u> Notwithstanding any provision contained herein to the contrary, after the end of the Primary Term, this lease may not be maintained in force solely by reason of the shut-in royalty payments, as provided heretofore, for any one shut-in period of more than two (2) years.